

# FARMER & LUNA

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A PROFESSIONAL LIMITED LIABILITY COMPANY

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February 7, 2006

## VIA HAND DELIVERY

Chairman Ron Jones  
c/o Sharla Dillon, Dockets Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-00505

Re: Docket 06-00026 Petition of Chattanooga Gas Company for a Temporary  
Modification to the Procedure for Calculating the IMCR Refund Credit

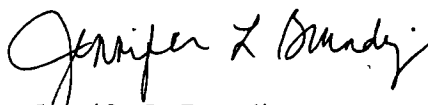
Dear Chairman Jones:

As directed by the Tennessee Regulatory Authority ("Authority") upon the Authority's granting Chattanooga Gas Company's ("the Company") Petition in the above referenced docket during yesterday's Conference, the Company is filing the enclosed original and thirteen (13) copies of the following revision to its Tariff: The Eighth Revised Sheet No. 48. "Interruptible Margin Credit Rider". Within thirty (30) days, the Company will file the schedules supporting all calculations as directed by the Authority in yesterday's Conference.

The Company will also file the traditional IMCR calculation of the credit for other customer classes and include the true-up of any difference between the credit for the residential R-1 class under this docket and under the traditional procedure.

If you have any questions, please call me at 254-9146 or Archie Hickerson at 757-616-7510.

Sincerely yours,

  
Jennifer L. Brundige

Enclosures

cc: Elizabeth Wade, Esq.  
Archie Hickerson  
Steve Lindsey

**INTERRUPTIBLE MARGIN CREDIT RIDER**

**APPLICABILITY**

This Rider shall apply to and become part of each of Chattanooga Gas Company's (Company's) Rate Schedules under which gas is sold on a firm basis (hereinafter referred to as "Firm Schedule").

**INTENT AND APPLICATION**

This Interruptible Margin Credit Rider is intended to authorize the Company to recover ninety percent (90%) of the gross profit margin losses that result from rates negotiated under the provisions of Special Service Rate Schedule SS-1 or from Customers who switch to alternate fuels where the Company is unable to meet alternate fuel competition

This Interruptible Margin Credit Rider is also intended to authorize the Company to recover not more than fifty percent (50%) of the gross profit margin that results from transactions with non-jurisdictional Customers that rely on the Company's gas supply assets (all such transactions including off-system sales) should such transactions be made by the Company.

**DETERMINATION OF GROSS PROFIT MARGIN LOSSES**

The gross profit margin loss shall be calculated as ninety percent (90%) of the difference between the Test-Year Targeted Rate Margin as determined in the Company's most recent rate case order of the Authority and the Actual Negotiated Rate Margin.

Any amount of gross profit margin losses shall be recovered from the firm commodity component of gas costs as determined under the presently effective Purchased Gas Adjustment Provision.

**FILING WITH THE AUTHORITY**

Unless otherwise approved by the TRA upon a showing of good cause, each negotiated rate gross profit margin loss accounting/recovery period shall correspond with the Company's Fiscal Year which ends December 31, each year.

The Company shall charge all authorized negotiated rate gross profit margin losses to the "Deferred Gas Cost" account in accordance with Section III.C. of the Authority's PGA Docket No. G86-1 and shall file the supplemental sheets required by this Rule showing the calculation of the margin losses.

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